Mr. MOOT. Yes, sir. From between October, when the legislation was passed, and January 9, we had bank applications numbering——

Mr. BROWN. Out of the last year we have six bank SBIC's that came into the program.

Mr. MOOT. And there were six licenses granted in that interim period between October and January.

Mr. BROWN. That is right.

Mr. MITCHELL. These six licenses to banks, were they instances where banks controlled or owned the SBIC's?

Mr. MOOT. They were control situations.

Mr. MITCHELL. After the legislation was passed which went into effect January 9, you licensed six banks to have control of small business investment companies?

Mr. MOOT. Yes, Mr. Mitchell. But, lest the record be incomplete here, we did this after discussion with the legislative committees of Congress, because we felt that our legislative position was such that we had no choice but to accept and process applications during this period of time. The legislation was not retroactive, it was a forward date. So we didn't feel as though we had any option in this particular case.

The CHAIRMAN. After the January 9 date, are you then going to proceed with divestiture of control?

Mr. MOOT. No, sir; there is no requirement for divestiture of control of those companies that it did control as of January 9.

The CHAIRMAN. The third reform in regulation is relating to self-dealing. You tighten the conflict-of-interest regulation to prevent possible self-dealings. That situation, I judge, has been substantially improved.

Mr. BROWN. Yes, it has, Mr. Chairman. The number of violations is going down considerably because of our tight regulations.

Incidentally, Mr. Chairman, if I may, I would like to supply it for the record.

The CHAIRMAN. Without objection, it will be received and inserted at this point.

(The information submitted at this point pertains to control situations and is as follows:)

SBIC PROGRAM—CONTROL OF SMALL BUSINESS CONCERNS BY SBIC'S

1. Alleged violations of the control regulation from Aug. 1, 1966, through Apr. 30, 1967:

| | Number of companies examined | Total violations alleged | Alleged violations of control regulations | Percent of total violations |
|---|---|---|---|---|
| a. Aug. 1 to Dec. 31, 1966 | 434 | 1,348 | 72 | 5.3 |
| b. Jan. 1 to Dec. 31, 1967 | 223 | 707 | 25 | 3.6 |
| c. Jan. 1 to Mar. 31, 1968 | 113 | 394 | 15 | 3.8 |
| d. Total | 770 | 2,449 | 112 | 4.6 |

2. Number of actual and violative control situations as of Apr. 30, 1968:

| | |
|---|---|
| a. Total existing violations | 42 |
| b. Number of SBIC's involved | 25 |

3. Number of SBIC's controlled by banks:[1]

| | |
|---|---|
| a. Wholly owned by banks | [2] 20 |
| b. Partially owned by banks | [2] 52 |
| c. New licensees, bank owned (licensed subsequent to September 30, 1967, reporting date) | 6 |
| d. Total | 78 |

[1] The information concerning the number of SBIC's controlled by building contractors is not available. Also, the number of bank controlled SBIC's who have control situations violative of the regulations is not available.

[2] Reporting as of Sept. 30, 1967.